

RURAL UTAH CHILD DEVELOPMENT
(A Non-Profit Organization)

FINANCIAL STATEMENTS

November 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rural Utah Child Development

We have audited the accompanying statement of financial position of Rural Utah Child Development (a non-profit Organization) as of November 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Utah Child Development as of November 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2009 on our consideration of Rural Utah Child Development's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Rural Utah Child Development taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

August 25, 2009

**RURAL UTAH CHILD DEVELOPMENT
STATEMENT OF FINANCIAL POSITION
November 30, 2008**

Assets

Current Assets

Cash	\$ 24,338
Accounts Receivable:	
U.S. Department of Agriculture	40,425
Head Start	63,494
Other	712
Prepaid expenses	59,384
Deposits	500
Total Current Assets	188,853

Property and equipment - net

776,772

Total Assets

\$ 965,625

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 95,253
Accrued expenses	79,938
Early Reading First payable	56,179
Note payable	4,910
Total Current Liabilities	236,280

Long-Term Liability

Note payable	97,464
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Total Long-Term Liability

97,464

Total Liabilities

333,744

Net Assets

Unrestricted	631,881
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Total Net Assets

631,881

Total Liabilities and Net Assets

\$ 965,625

The accompanying notes are an integral part of these financial statements.

**RURAL UTAH CHILD DEVELOPMENT
STATEMENT OF ACTIVITIES
For Year Ended November 30, 2008**

Unrestricted Net Assets

Support

Federal Grant PA22	\$ 3,057,037
Federal Grant PA20	36,290
Federal Grant PA25	555,843
Federal Grant PA26	13,476
In-kind Services and supplies	1,130,930
Early Reading First Grant	1,037,815
USDA Food Grant	150,829
Other program revenue	21,024
Total Support	6,003,244

Expenses

Program services

Head Start program PA22	2,860,185
Head Start program PA22 In-Kind	1,061,587
Head Start program PA20	36,290
Head Start program PA25	563,607
Head Start program PA25 In-Kind	69,344
Head Start program PA26	13,476
Early Reading First Grant	1,037,815
USDA Food Grant	150,829

Total Program Services

5,793,133

Support Services

Head Start program PA22	218,877
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Total Expenses

6,012,010

Increase (Decrease) in Unrestricted Net Assets

(8,766)

Net Assets at November 30, 2007

640,647

Net Assets at November 30, 2008

\$ 631,881

The accompanying notes are an integral part of these financial statements.

**RURAL UTAH CHILD DEVELOPMENT
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended November 30, 2008**

	Program Services							Total Program	Support Services	Total
	PA 22	PA 22 In-Kind	PA 20	PA 25	PA 25 In-Kind	PA 26	USDA Food	ERF Other		
Wages	\$ 1,481,964	\$ 664,125	\$	\$ 366,872	\$ 42,882	\$	\$	\$ 1,037,815	\$ 151,702	\$ 3,745,360
Employee benefits	449,651	208,133		84,840	16,652			759,276	56,962	816,238
Travel	113,471	86,942	32,701	8,126	6,615			247,855	4,916	252,771
Supplies										
Instructional	132			945				1,077		1,077
Other	141,907	102,387		26,636	3,195			274,125	720	274,845
Child Nutrition	1,431			10,337			150,829	162,597		162,597
Health	16,168			2,722				18,890		18,890
Transportation	282,353							282,353		282,353
Occupancy										
Rent & maintenance	110,725			24,628				135,353	2,184	137,537
Interest	9,948							9,948		9,948
Utilities	108,368			11,177				119,545		119,545
Parent programs	18,964			2,976				21,940	606	22,546
Depreciation *	53,548			7,764				61,312		61,312
Other	71,555		3,589	16,584		13,476		105,204	1,787	106,991
	<u>\$ 2,860,185</u>	<u>\$ 1,061,587</u>	<u>\$ 36,290</u>	<u>\$ 563,607</u>	<u>\$ 69,344</u>	<u>\$ 13,476</u>	<u>\$ 150,829</u>	<u>\$ 1,037,815</u>	<u>\$ 218,877</u>	<u>\$ 6,012,010</u>

* Depreciation expense is permitted by Generally Accepted Accounting Procedures, however, it is not for the *Schedule of Expenditures of Federal Awards* since federal funds were used to purchase capital assets.

The accompanying notes are an integral part of these financial statements.

**RURAL UTAH CHILD DEVELOPMENT
STATEMENT OF CASH FLOWS
For Year Ended November 30, 2008**

Cash Flows From Operating Activities

Decrease in unrestricted net assets	\$ (8,766)
Adjustments to reconcile decrease in unrestricted net assets to net cash provided (used)	
Depreciation	61,312
Adjustment to accumulated depreciation	(2,347)
(Increase) decrease in operating assets:	
Accounts receivable	79,582
Prepaid expenses	(53,469)
Increase (decrease) in operating liabilities:	
Accounts payable	(86,417)
Accrued liabilities	(18,321)
Early Reading First payable	56,179
Net Cash Provided by Operating Activities	<u>27,753</u>

Cash Flows From Investing Activity

Purchase of property and equipment	(24,532)
Net Cash Used by Investing Activity	<u>(24,532)</u>

Cash Flows From Financing Activity

Principal payments on note payable	(4,644)
Net Cash Used by Financing Activity	<u>(4,644)</u>

Net Increase in Cash	(1,423)
Cash Balance, Beginning of Year	<u>25,761</u>
Cash Overdraft Balance, End of Year	<u>\$ 24,338</u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:	
Interest	\$ 9,948

The accompanying notes are an integral part of these financial statements.

RURAL UTAH CHILD DEVELOPMENT NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Rural Utah Child Development (the Organization) was organized as a Utah private non-profit corporation under the provisions of chapter 6 of Title 16, Utah code Annotated, 1953 on March 6, 1966. The Organization is to administer and operate Head Start and Early Head Start programs throughout the southeastern part of the State of Utah, and is funded by grants from the Department of Health and Human Services and from the Department of Education.

Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents includes all demand deposits and highly liquid debt instruments with original maturities of three months or less.

Concentration of Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant risk on cash and cash equivalents.

The Organization receives substantially all of its funding from governmental sources. Decreases in governmental support would have an adverse effect upon the Organization.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Receivables are written off when they are determined to be uncollectible. The allowance for doubtful accounts at November 30, 2008 was \$0.

Property and Equipment

The Organization capitalizes all equipment acquisitions in excess of \$5,000. Purchased property and equipment is capitalized at cost, where donated as support at their estimated market value at the date of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Fixed assets are depreciated using the straight-line method over the estimated useful lives of the assets.

Substantially all of the property and equipment have been purchased with funds from the Department of Health and Human Services. In the event that these items are disposed of, the Department of Health and Human Services may require any proceeds be refunded to them.

**RURAL UTAH CHILD DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Significant Accounting Policies (Continued)

Property and Equipment (Continued)

A provision for depreciation of each asset has been computed using the straight-line method over its estimated useful life, which range from 5 to 30 years. The cost of the assets, less the estimated residual value, determines the depreciable basis.

Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of November 30, 2008, the Organization did not have any temporarily or permanently restricted net assets.

Income Taxes

The Organization qualifies as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for income taxes.

Grant Revenue

Grant revenues are recognized as expended up to the authorized grant award. The federal grants awarded to the Organization relating to funds included in this audit report consist of the following:

- a. U.S. Department of Health and Human Services, Head Start Grant No. 08CH0059/42, grant period December 1, 2007 through November 30, 2008. This grant is restricted for the purpose the grant was awarded and any excess is to be returned to the funding agency.
- b. Utah State Office of Education Grant for periods October 1, 2007 through September 30, 2008 and October 1, 2008 through September 30, 2009. These grants are restricted for the purposes the grants were awarded and any excesses are to be returned to the funding agency.
- c. U.S. Department of Education, Early Reading First Grant No. S359B060045, grant period October 1, 2006 through September 30, 2009. This grant is restricted for the purpose the grant was awarded and any excess is to be returned to the funding agency.

Pension Plan

The Organization sponsors a defined contribution pension plan that covers substantially all employees. Contributions to the plan are based on a percentage of gross wages under Code Section 401(k) deferment. For the period ended November 30, 2008 the amount of pensions expense was \$159,775.

Contributed Support

The Organization occupies at reduced or no charge certain premises owned by private individuals. The estimated fair rental value of the premises is reported as support and expense in the period in which the premises are used.

RURAL UTAH CHILD DEVELOPMENT **NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(Continued)**

Significant Accounting Policies (Continued)

Contributed Support (Continued)

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Organization programs, principally in educational assistance. The value of this contributed time is accounted for by recognizing as support and expense the numbers of hours provided multiplied by the wage rate that would have to be paid if the volunteers were employees of the Organization.

Supplies and transportation are provided by various individuals and entities at reduced or no cost to the Organization. The value of these supplies and transportation is accounted for by recognizing as support and expense the fair value of the supplies or transportation in excess of actual payment as if actual cash payment had occurred.

Advertising

The Organization expenses advertising costs as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of November 30, 2008.

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 135,100	\$ -	\$ -	\$ 135,100
Building	810,945	-	4,718	806,227
Vehicles	284,247	-	2,500	281,747
Office equipment	194,437	-	62,503	131,934
Center equipment	186,992	24,532	41,740	169,784
	1,611,721	24,532	111,461	1,524,792
Accumulated depreciation	(800,516)	(61,312)	113,808	(748,020)
	<u>\$ 811,205</u>	<u>\$ (36,780)</u>	<u>\$ 2,347</u>	<u>\$ 776,772</u>

RURAL UTAH CHILD DEVELOPMENT **NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 3 NOTE PAYABLE

Note Payable consisted of the following as of November 30, 2008.

Note payable to a bank. Interest is LIBOR + 4.2% which was 9.4% at November 30, 2008. Monthly principal and interest payments of \$1,216 with a maturity date of March 2021. This Note is secured by the Organization's Huntington center, which has a carrying value of \$155,388 and is included in buildings.

Less current portion

\$	102,374
	(4,910)
\$	97,464

As of November 30, 2008, principal payments are scheduled to be as follows:

<u>Year</u>	
2009	\$ 4,910
2010	5,392
2011	5,921
2012	6,502
2013	7,141
2014-2018	46,044
2019-2022	26,464
	\$ 102,374

NOTE 4 LEASE COMMITMENTS

The Organization presently uses various facilities, which are not owned by Organization, to provide office space and classrooms. These facilities are leased under short-term agreements that can be renewed under similar terms contingent upon grant funding being renewed. Lease payments for the year ended November 30, 2008 were \$92,988.

NOTE 5 401(k) PLAN EXPENSES

The Rural Utah Child Development Retirement Savings Plan (the Plan), filed under Section 401(k) of the Internal Revenue Code, covers eligible employees of the Organization. Employees who complete six months of continuous service and work more than 30 hours per week are eligible to participate. The Organization contributes 10% of the employee's wages to the Plan. The employee may contribute up to the maximum allowed by the IRS which was \$15,500 (\$20,500 for participants age 50 or older), for the year ended November 30, 2008. The Organization has the right under the Plan to discontinue contributions to the Plan at any time or terminate the Plan. In the event of termination of the Plan, the net assets of the Plan are available for payment of benefits to the participants. Expenses charged to the Organization for contributions to the Plan were \$159,775 for the year ended November 30, 2008. The amounts payable to the Plan was \$5,532 at November 30, 2008 and are included in accrued liabilities.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Rural Utah Child Development

We have audited the accompanying financial statements of Rural Utah Child Development (a non-profit Organization) as of and for the year ended November 30, 2008, and have issued our report thereon dated August 25, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rural Utah Child Development's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rural Utah Child Development's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rural Utah Child Development's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Utah Child Development's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items B number 1.

Rural Utah Child Development's response to the findings identified in our audit is described in the accompanying *Schedule of Finding and Questioned Costs* section of this report. We did not audit Rural Utah Child Development's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
Rural Utah Child Development

Compliance

We have audited the compliance of Rural Utah Child Development (a non-profit Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended November 30, 2008. Rural Utah Child Development's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rural Utah Child Development's management. Our responsibility is to express an opinion on Rural Utah Child Development's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rural Utah Child Development's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rural Utah Child Development's compliance with those requirements.

In our opinion Rural Utah Child Development complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended November 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item C number 1.

Internal Control Over Compliance

The management of Rural Utah Child Development is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rural Utah Child Development's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rural Utah Child Development's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Rural Utah Child Development's response to the findings identified in our audit is described in the accompanying *Schedule of Finding and Questioned Costs* section of this report. We did not audit Rural Utah Child Development's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of audit committee, management, Board of Directors and others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

August 25, 2009

RURAL UTAH CHILD DEVELOPMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Direct Program:			
PA 22 Head Start	93.600	NA	\$ 3,057,037
PA 20 CDA Training	93.600	NA	36,290
PA 25 Early Head Start	93.600	NA	555,843
PA 26 Early Head Start	93.600	NA	13,476
Total U.S. Department of Health and Human Services			3,662,646
<u>U.S. Department of Education</u>			
Direct Program:			
Early Reading First	84.359B	NA	1,037,815
Total U.S. Department of Education			1,037,815
<u>U.S. Department of Agriculture</u>			
Pass Through The Utah State Office Of Education Food Distribution	10.558	G-4	150,829
Total U.S. Department of Agriculture			150,829
Total Federal Financial Assistance			\$ 4,851,290

See notes to Schedule of Expenditures of Federal Awards.

RURAL UTAH CHILD DEVELOPMENT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended November 30, 2008

Significant Accounting Policies

The following information regarding the Schedule of Expenditures of Federal Awards is provided to assist the reader in understanding the accounting policies regarding, and the nature of the federal awards.

- a. Basis of Accounting - The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting, the same basis used by the Organization in its financial reporting. Receivables are recorded when appropriate program expenditures are made and the Organization has a claim for reimbursement. For purpose of the Schedule of Expenditures of Federal Awards, the Organization considers equipment that has been capitalized, purchased with Federal funds, to be expenditures.
- b. Depreciation is not included in the Schedule of Expenditures of Federal Awards because all property and equipment has been purchased with Federal grant money. Therefore, including depreciation would result in the Organization being reimbursed for the expenditure twice.
- c. Pass-Through Source of Awards - The Organization receives the majority of its federal award programs from the U.S. Department of Health and Human Services and the U.S. Department of Education.

RURAL UTAH CHILD DEVELOPMENT
SCHEDULE OF AWARDED GRANT REVENUES OVER ACTUAL EXPENSES
For the Year Ended November 30, 2008

Award Number	08CH0059/41				Total
	PA - 22	PA - 20	PA - 25	PA - 26	
Grant budgeted award amount	\$ 3,058,134	\$ 36,290	\$ 555,843	\$ 13,476	\$ 3,663,743
Actual grant expenses	(3,057,037)	(36,290)	(555,843)	(13,476)	(3,662,646)
Grant budgeted award amount over (under) actual expenses	\$ 1,097	\$ -	\$ -	\$ -	\$ 1,097

The above schedule shows the grant amounts that were awarded by the U.S. Department of Health and Human Services compared to the actual grant expenditures.

**RURAL UTAH CHILD DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended November 30, 2008**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Rural Utah Child Development.
2. There was no material weaknesses disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Rural Utah Child Development, which would be required to be reported in accordance with *Government Auditing Standards*, disclosed during the audit.
4. There were ~~no material weaknesses and one instance of significant deficiencies in internal control~~ which were disclosed during the audit of the major federal award programs of Rural Utah Child Development.
5. The auditor's report on compliance for the major federal award programs for Rural Utah Child Development expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award program that are required to be reported in accordance with *Government Auditing Standards*.
7. The programs tested as major programs included:
Department of Health and Human Services – Head Start – CFDA No. 93.600
8. The threshold for distinguishing Types A programs was \$300,000.
9. Rural Utah Child Development does not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT AND GOVERNMENT AUDITING STANDARDS

1. Working Capital
Finding:

We observe that as of November 30, 2008, the organization does not appear to have enough working capital to pay the liabilities without using draws on the next year's grant funds. The lack of working capital appears to have occurred in prior years. Management is aware of this situation, as well as the federal oversight agent over the Federal grants.

Recommendation

We suggest that the Organization implement procedures to increase working capital from non-Federal sources.

**RURAL UTAH CHILD DEVELOPMENT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended November 30, 2008**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. In-Kind – calculation errors (Significant Deficiency)

Finding:

Management is responsible for maintaining accurate supporting documentation for in-kind donations claimed on the financial statements. During our audit we tested the in-kind donations recorded. We traced monthly category totals for individual sites to supporting documentation. Out of 35 selected for testing, there were nine where the documentation did not agree with the amount claimed or documentation was missing. Based on the actual errors of \$1,657 and other relevant information, we estimated the total errors in the in-kind expenses. As a result, \$9,895 claimed as in-kind revenues and expenses were eliminated during the audit. This appears to be due to small clerical errors made during the accumulation of in-kind donations.

Recommendation

We suggest the management of Rural Utah Child Development develop procedures to ensure that accurate records are maintained for all in-kind revenues claimed.

**RURAL UTAH CHILD DEVELOPMENT
RESPONSE TO FINDINGS AND RECOMMENDATIONS
For the Year Ended November 30, 2008**

Section B, Finding #1 – In-kind – Calculation Errors (Significant Deficiency)

Correction Action.

RUCD has put procedures in place requiring, the accountant, check all incoming In-kind to assure that it is all there and figured correctly.

Section B, Finding #2 – Working Capital

Correction Action.

RUCD is working on long term goal to obtain 20% of the Head Start funding would be generated from non-Federal sources.

**RURAL UTAH CHILD DEVELOPMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended November 30, 2008**

2007 #1.

Payroll Disbursement Test – Missing Time sheet (Significant Deficiency)

Finding

Management has the responsibility to ensure that supporting documentation is on file for all expenditures. During our audit we tested payroll expenditures and noted that one out of 35 payroll disbursements tested did not have a supporting time sheet. Without a timesheet there is no way for supervisors to review and approve the wages paid. Management indicated that the amount appeared valid and the amount was immaterial, therefore, no audit adjustment is needed. Paying wages without supporting documentation could result in hours being inflated an expense not being included in the grant expenses and would therefore, not be reimbursed by the grant. The timesheet appears to have been lost in route to the main office.

Recommendation

We suggest the management of Rural Utah Child Development implement procedures to ensure that payroll expenditures be supported by timesheets approved by the supervisor.

Current Status

The Organization appears to have resolved this issue.

2007 #2.

Cash – Checks clearing before date issued (Significant Deficiency)

Finding

Management has the responsibility to ensure that the cash transactions are recorded when they occur. During our audit we noted that four checks totaling \$3,104 cleared the bank during November 2007, but were dated after year end in December 2007. These checks were for December rent and the expense has been recorded in the proper fiscal year. By dating these checks after they were actually issued, the cash balance on the financial statement is over stated and a prepaid expense account has been understated. This appears to have been done to record the expense in the proper fiscal year.

Recommendation:

We suggest the management of Rural Utah Child Development implement procedures to ensure that checks are dated when issued and then coded to a prepaid account, if necessary, to record the expense in the proper accounting period.

Current Status

The Organization appears to have resolved this issue.

2007 #3.

Working Capital

Finding

We observe that as of November 30, 2007, the Organization does not appear to have enough working capital to pay the liabilities without using draws on the next year's grant funds. The lack of working capital appears to have occurred in prior years. Management is aware of this situation, as well as, the Federal oversight agent over the Federal grants.

Recommendation

We recommend that the Organization implement procedure to increase working capital from non-Federal sources.
posting to the system.

Current Status

Management is aware of this and has implemented a plan to correct the situation. A similar finding was noted in the current year.

**RURAL UTAH CHILD DEVELOPMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)
For the Year Ended November 30, 2008**

2007 #4.

Payroll Disbursement Test – Missing Time sheet (Significant Deficiency)
See Finding on page 17, B.I.

Finding:

Management is responsible for maintaining supporting documentation for in-kind donations claimed on the financial statements. During our audit we tested the in-kind donations recorded. We traced monthly category totals for individual sites to supporting documentation. Out of 35 transactions selected for testing, there were four which the documentation did not agree with the amount claimed. Based on actual errors of \$187 and other relevant information we estimated the total errors in the in-kind expenses. As a result, \$5,747 claimed as in-kind revenues and expenses were eliminated during the audit. This appears to be small clerical errors made during the accumulation of various pages documenting in-kind donations.

Recommendation:

We suggest the management of Rural Utah Child Development develop procedures to ensure that accurate records are maintained for all in-kind revenues claimed.

Current Status

A similar finding was noted in the current year.

TRANSMISSION VERIFICATION REPORT

TIME : 08/25/2009 04:20
NAME : RUCD HEAD START
FAX : 4356374962
TEL : 4356374960
SER.# : BRQJ7J703803

DATE, TIME
FAX NO./NAME
DURATION
PAGE(S)
RESULT
MODE

08/25 04:19
18012659405
00:01:10
05
OK
STANDARD
ECM

A.39



RURAL UTAH CHILD DEVELOPMENT

Fax Cover Sheet

Attn: Phyl Wainrock

Organization: Jensen Beddington PC

Fax Number: (801) 265-9405

From: Tynette Mitchell

Date: Aug 25, 2009

Subject: _____

Pages (including cover): 5

Comments: Thank You!



RURAL UTAH CHILD DEVELOPMENT

Fax Cover Sheet

Attn: Phyl Warnock

Organization: Jensen Beddington PC

Fax Number: (801) 265-9405

From: Lynnette Mitchell

Date: Aug 25, 2019

Subject: _____

Pages (including cover): 5

Comments: Thank You!

LYNNETTE MITCHELL
Executive Director

OFFICE LOCATION

150 A. West Main
Wellington, Utah 84542-0508
(435) 637-4960
Fax (435) 637-4962

MAILING ADDRESS

P.O. Box 508
Wellington, Utah
84542-0508

August 25, 2009

Jensen & Keddington, P.C.
5292 So. College Drive Suite 101
Salt Lake City, Utah 84123

We are providing this letter in connection with your audit of the statement of financial position of Rural Utah Child Development as of November 30, 2008 and the related statements of activities, functional expenses, and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, changes in net assets, and cash flows of Rural Utah Child Development in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of August 25, 2009, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization's control.
2. We have made available to you all -
 - a. Financial records and related data.
 - b. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We believe the effects of the uncorrected financial statement misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Organization involving -

801-262-4554

- a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
 9. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
 10. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b. Guarantees, whether written or oral, under which the Organization is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
 11. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
 12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives..
 13. Rural Utah Child Development is an exempt organization under Section 501 (c) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

14. There are no -

- a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 *Accounting for Contingencies*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
15. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged except as made known to you and disclosed in the notes to the financial statements.
16. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

No events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

Signed: _____

Title: _____